

**UNIVERSITY OF PUERTO RICO
RIO PIEDRAS CAMPUS
BUSINESS ADMINISTRATION FACULTY
GRADUATE BUSINESS SCHOOL**

PRONTUARIO

- I. COURSE TITLE:** Theory and Problems of Financial Accounting I
- II. CODIFICATION:** CONT 6701
- III. HOUR CREDITS:** 3 Credits/Hours
- IV. PRERREQUISITES:** CONT 6501 or undergraduate or graduate degree in accounting.
- V. COURSE DESCRIPTION:**

Este curso abarca varios aspectos de la teoría y práctica de la contabilidad financiera. Está encaminado hacia el análisis del efecto de la aplicación de principios de contabilidad en los estados financieros necesarios para evaluaciones operacionales y financieras, incluyendo la identificación de riesgos.

El curso presenta los últimos desarrollos en los principios de contabilidad tanto en los Estados Unidos como en otras dependencias. El enfoque del curso esta en el marco teórico que la gerencia aplique para la toma de decisiones de política contable y sus implicaciones para el análisis de estados financieros. También enfatiza en el uso de técnicas de análisis de estados financieros como herramienta importante para las decisiones estratégicas de negocios.

This course covers several aspects of the theory and practice of financial accounting. It is geared towards analyzing the effect of the application of accounting principles on financial statements for operating and financial assessments, including the identification of risks.

The course also addresses the latest developments in accounting principles in the United States and abroad. Its focus is on the framework that management applies for accounting policy decision making and its implications for financial statement analysis. It also emphasizes the use of financial statement analysis techniques as an important tool for strategic business decisions.

VI. COURSE OBJECTIVES & LEARNING OUTCOMES:

At the end of this course the students will be able to:

1. Understand the motivations behind management selection of financial reporting policies
2. Design and apply financial statement analysis techniques
3. Perform a credit analysis

4. Apply investment evaluation techniques
5. Understand the main differences between US GAAPs and IFRS as well as their impact on financial statements and decision making.
6. Understand and apply risk metrics to financial statements
7. Understand the results of empirical research on financial accounting
8. Understand and apply techniques for uncovering inconsistencies in financial reporting
9. Compute and analyze the sustainability and quality of earnings metrics

VII. COURSE CONTENT:

CONTENT	HOURS
Framework for Financial Statement Analysis <ul style="list-style-type: none"> • Introduction • Need for Financial Statement Analysis • The US Financial Reporting System • International Accounting Standards • Principal Financial Statements • Other Sources of Financial Information • The Role of the Auditor 	6
Accounting Income and Assets: The accrual Concept <ul style="list-style-type: none"> • The Accrual Concept of Income • Nonrecurring Items • The Balance Sheet • The Statement of Stockholders Equity 	6
Analysis of Cash Flows <ul style="list-style-type: none"> • Statement of Cash Flows • Analysis of Cash Flow Information 	4
Foundations of Ratio and Financial Analysis <ul style="list-style-type: none"> • Common-Size Income Statement • Ratios by Category • Earnings per Share and other Ratios used in Valuation • Integrated Analysis of Ratios 	5
Empirical Research and its Implications for Financial Statement Analysis <ul style="list-style-type: none"> • Market Based Research • Positive Accounting Theory • Implications of Research results for Financial Statement Analysis 	4
Analysis of Inventories <ul style="list-style-type: none"> • Basic Relationships between Cost of Goods Sold and Inventory • LIFO vs. FIFO: Income, Cash Flow, and Working Capital Effects • LIFO vs. FIFO and Financial Ratios • Decline in LIFO Reserves 	6

Analysis of Long Lived Assets Part I <ul style="list-style-type: none"> • The Capitalization vs. Expensing Decision: Conceptual Issues • The Capitalization vs. Expensing Decision: General Issues • The Capitalization vs. Expensing Decision: Industry Issues • Analytic Adjustments for Capitalization and Expensing 	5
Analysis of Long Lived Assets Part II <ul style="list-style-type: none"> • The Depreciation Concept • Analysis of Fixed Asset Disclosures • Impairment of Long-Lived Assets 	5
Analysis of Financial Liabilities <ul style="list-style-type: none"> • Balance Sheet Debt • Bond Covenants 	4
Total Contact Hours	45

VIII. INSTRUCTIONAL STRATEGY (Teaching Methodology):

Although determined by the individual instructor, traditionally this course will incorporate the following teaching/learning methods:

- Lectures
- PowerPoint Presentations
- Presentation and discussion of solutions to problems, cases, exercises, and projects

IX. REQUIRED LEARNING RESOURCES:

Internet Access & PC

X. EVALUATION STRATEGY:

Methods of evaluation, although determined by the individual instructor, traditionally include:

2 Written Exams	50%
Cases, Assignments	30%
Term Paper	20%

Cases

- There will be a weekly group case discussion. Starting in week 2
- The group responsible for the presentation, will bring detailed answers
- There will be a presentation of 45 min per case each class meeting
- There will be a 45 minute session of Qs & As. All the students are expected to actively participate during this session. **If the student doesn't participate actively in the discussion every class it very likely he/she won't pass the course**

- Each student will submit a hand written answer to the case even if the he/she is not presenting the case
- Student participation will be graded as follows:
 - 10 Excellent
 - 9-8 Good
 - 7-6 Average
 - 1-5 Poor
 - 0 No show (no excuse is valid, sorry)

Term Paper

- Relevant to modern corporate finance
- Max of 20 pages, min 15 pages
- Proposal by the 7th week of the semester
 - Topic. What?
 - Relevance, Why?
 - Methodology, How?

Special evaluations will be extended to students with special accommodation necessities .

XI. ASSESSMENT STRATEGY:

During the semester the professor will be using several techniques that will help him to determine your level of learning. The main purpose is to help students identify how much and how well they are learning and to detect areas that may need reinforcement before determine the final grade. These techniques will also help the professor to use more effective teaching strategies. Among others, we could use:

- Homework's
- Cases
- Final Exam
- A rubric could be created to assess students' success

XII. GRADING SYSTEM:

100-90%=A, 89-80%=B, 79-70%=C, 69-50%=D and 49-0%=F

XIII. LAW 51 - VOCATIONAL REHABILITATION:

According to the Law of Integral Educational Services for Individuals with Disabilities, students who require reasonable accommodation should notify the instructor the first day of class. Students receiving VR services should contact the teacher at the beginning of the semester to plan reasonable accommodation and assistive equipment necessary as recommended Affairs Office for Persons with Disabilities (OAPI) of Dean of Students. Even those students with special needs some assistance or accommodation should contact the teacher.

Certification # 99 (01-02) of the Academic Senate, Act 51 of 1996 (Act Integral Educational Services for people with disabilities) and Certification 130 (1999-2000) of the Board of Trustees.

XIV. CONDUCT SUBJECT TO DISCIPLINE:

The General Student Regulations of the University of Puerto Rico, Certificate 13, 2009-2010, and approved by the Department of State of Puerto Rico on September 9, 2009, Part VI, Section 6.2, provides students behavior subject to disciplinary sanctions. Among them is academic dishonesty, which involves disciplinary sanctions as provided in this regulation.

XV. BIBLIOGRAPHY (includes Textbooks):

Suggested Textbook:

Ashwinpaul, S., Fried, D. & White, G. (2002). *The Analysis and Use of Financial Statements*, 3rd edition, Wiley, 2002.

Reference Books:

Kieso, D., Warfield, T. & Weygandt, J. (2011). *Intermediate Accounting*, Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, 13th edition, Wiley, 2011.

Anthony, R., Hawins, D. F. & Merchant, K. A. (2007). *Accounting: Text and Cases*. Twelfth edition. New York: McGraw-Hill.

Allen, B., Brownlee, E. R., Haskins, M. & Lynch, L. (2005). *Cases in management accounting and control systems*, Prentice Hall, New Jersey, Third Edition.

Atkinson, A., Kaplan, R., Matsumura, E. & Young, S. (2007). *Management Accounting*, Fifth Edition, New Jersey: Prentice Hall.

Blocher, E., Kung, C. & Cokins, G. (2005). *Cost Management: A Strategic Emphasis w/ Online Learning Center w/ PW Card*, McGraw-Hill, New York, Third Edition.

Bragg, S. M. (2001). *Cost Accounting: A Comprehensive Guide*, John Wiley, New York.

Bruns, W. (2005). *Accounting for Managers: Text and Cases*. Thompson. Tercera edición.

Dyckman, T. R., Dukes, R. E. & Davis, C. J. (2001). *Intermediate Accounting with S&P Package*. Fifth Edition. New York: Irwin- McGrawHill.

Hartman, B., Harper, R. & Knoblett, J. (2000). *Intermediate Accounting*. Third Edition. Ohio: South-Western College Publishing.

Hilton, R. (2006). *Managerial Accounting*, McGraw-Hill, New York, Seventh Edition.

Nikolai, L. & Bazley, J. (2006). *Intermediate Accounting*. Tenth Edition. Ohio: South-Western College Publishing.

Norton, C., Diamond, M. & Pagach, D. (2006). *Intermediate Accounting: Financial reporting and analysis*. New York: Houghton Mifflin Co.

Oliver, L. (2000). *The cost management toolbox: A manager's guide to controlling costs and boosting profits*. New York: AMACOM.

Shank, J. (2005). *Cases in Cost Management: A Strategic Emphasis*, Thomson Learning, New Jersey, Third Edition.

Revsine, L. & Collins, D. W. & Johnson, W. B. (2005). *Financial Reporting and Analysis*. Third edition, New York: Prentice Hall.

Skousen, F. & Stice, J. & Stice, E. (2006). *Intermediate Accounting*. Sixteen Edition. Ohio: South-Western College Publishing.

Smith, R. & Birney, P. (2001). *Interactive Intermediate Accounting Lab Student Package*. Third Edition. New York: Irwin-Mc GrawHill.

Spiceland, D., Sepe, J. & Tomassini, L. (2005). *Intermediate Accounting*. Fourth edition. New York: Irwin- McGraw-Hill.

Papers:

Amernic, J. & Robb, S. W. (2003). *Quality of earnings as a framing device and unifying theme in intermediate financial accounting*. *Issues in Accounting Education*, 18, 1, 1-21.

Brad A. Badertscher (2011). *Overvaluation and the Choice of Alternative Earnings Management Mechanisms*. *The Accounting Review*: September 2011, Vol. 86, No. 5, pp. 1491-1518.

Bradley Blaylock, Terry Shevlin, and Ryan J. Wilson (2012). *Tax Avoidance, Large Positive Temporary Book-Tax Differences, and Earnings Persistence*. *The Accounting Review*: January 2012, Vol. 87, No. 1, pp. 91-120.

Flegm, E. (2005). *On Solving the Problem, Not Being It*. *The CPA Journal*, 75, 2, 12-14.

Forsyth, T., Witmer, P. R. & Dugan, M. T. (2005). *Accounting Standards Setting: Inconsistencies in Existing GAAP*. *The CPA Journal*, 75, 5, 28-34.

Gannon, D, J. & Ashwal, A (2004). Financial reporting goes global. *Journal of Accountancy*, 198, 3.

Gavin, T. (2003). *Implementation of SFAS No. 144: Accounting for the impairment or disposal of long-lived assets*. *Commercial Lending Review*, 18, 1, 23-34.

Herrmann, D. & Hague, I. (2006). *Convergence: In search of the best*. *Journal of Accountancy*, 201, 1.

Holt, A. & Eccles, T. (2003). *Accounting practice in the post: Enron era: The implications for financial statements in the property industry*. *Briefings in Real Estate Finance*, 2, 4, 326-340.

Lian Fen Lee. (2012). *Incentives to Inflate Reported Cash from Operations Using Classification and Timing*. *The Accounting Review*: January 2012, Vol. 87, No. 1, pp. 1-33.

Madsen, P. (2011) *.How Standardized Is Accounting?*. The Accounting Review: September 2011, Vol. 86, No. 5, pp. 1679-1708.

Mensah, M., Nguyen, H & Prattipati, S. (2006). *Transparency in Financial Statements: A Conceptual Framework from a User Perspective*. Journal of American Academy of Business, 9, 1; 47-51.

Hafzalla, N., Lundholm, R. & Van Winkle, M. (2011). *Percent Accruals*. The Accounting Review: January 2011, Vol. 86, No. 1, pp. 209-236.

Pandit, G. & Phillips, J. (2004). *Comprehensive Income: Reporting Preferences of Public Companies*. CPA Journal, 74, 11,

Indjejikian, R. & Matějka, M. (2012). *Accounting Decentralization and Performance Evaluation of Business Unit Managers*. The Accounting Review: January 2012, Vol. 87, No. 1, pp. 261-290.

Whitfield, B. (2004). *Statement of Cash Flows: Time for Change!* .Financial Analysts Journal, 60, 2, 16-22.

Cases:

Cases available at the Harvard School of Business website.

Supplemental Materials:

PowerPoint materials, calculator, library materials, the internet, and handouts supplied by instructor

Electronic References:

- Puerto Rico State Society of Certified Public Accountants - www.colegiocpa.org
Journal: El CPA.
- American Institute of Certified Public Accountants – www.aicpa.org
Journal: The Journal of Accountancy
- American Accounting Association - www.aaa-edu.org
- Financial Accounting Standards Board – www.fasb.org
- Securities and Exchange Commission – www.sec.gov
- Small Business Administration – www.sba.gov
- Business Week – www.businessweek.com
- Yahoo Finance – <http://finance.yahoo.com>
- Business Statistics – www.bizstats.com
- Forbes Magazine – www.forbes.com
- NASDAQ – www.nasdaq.com
- New York Stock Exchange – www.nyse.com
- Internal Revenue Service – www.irs.gov

*Revised January 24, 2013